PATENT **Mail Stop AF**
Customer No. 22,852
Attorney Docket No. 08350.0416

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of:	)	
	)	
Mark A. Henninger et al.	)	Group Art Unit: 3691
	)	
Application No.: 09/738,618	)	Examiner: Lalita M. Hamilton
	)	
Filed: December 15, 2000	)	
	)	
For: COMPENSATORY RATIO HEDGING	)	Confirmation No.: 2172
	)	

Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

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PRE-APPEAL BRIEF REQUEST FOR REVIEW

Sir:

Applicants request review of the Final Office Action mailed on October 19, 2006, pursuant to the Pre-Appeal Brief Conference Pilot Program set forth in the Official Gazette notice of July 12, 2005. No amendments are being filed with this Request. This Request is being filed together with the Notice of Appeal.

Reasons for Request for Review, set forth in five or fewer pages, begin on page 2 of this paper.

Reasons for Request for Review

Pre-appeal brief review of a Final Office Action is appropriate when there are clear errors in the examiner's rejections or when the Examiner has omitted an essential element of a prima facie case to support a rejection. In the Final Office Action, the Examiner applied 35 U.S.C. § 103(a) to reject claims 1-8 as being unpatentable over U.S. Patent No. 6,304,858 to *Mosler et al.* in view of U.S. Patent No. 5,742,775 to *King*. These rejections are clearly erroneous at least because (1) the Examiner has not responded to the arguments set forth in Applicants' previous Reply to Office Action; and (2) the Examiner has not established a prima facie case of obviousness.

In a Reply to Office Action filed by Applicants on July 19, 2006, Applicants set forth two primary arguments over the claim rejections. On pages 9-10 of the Reply, Applicants argued that the Examiner had not shown a teaching of every element of claim 1, including "varying the ratio of said bond being hedged to said swap in each determined period of time to compensate for differences in said swap mark-to-market value and said bond mark-to-market value." Applicants noted that *Mosler et al.* states that a "swap rate C, is selected for every time period i" until maturity. (*Mosler et al.*, col. 9, ll. 15-16.) As the reference explains, "the swap rates selected to form the swap rate curve can be provided by any suitable source of forward interest rates." (*Id.*, col. 9, ll. 23-24.) Selecting different swap interest rates over periods of time is not the same as **varying the ratio of a bond being hedged to a swap in each of a plurality of determined periods of time**.

In the Final Office Action, the Examiner failed to address this argument. The Examiner also failed to allege any teaching or suggestion of this claim element in *Mosler et al.* or the newly-cited reference, *King*. At least because the Examiner did not answer all matter traversed

in the Reply as required by M.P.E.P. § 707.07, the rejections in the Final Office Action are erroneous.

Furthermore, the rejection of independent claim 1 as allegedly being obvious over *Mosler et al.* and *King* is erroneous because the Examiner has not shown that the references, taken together or alone, teach or suggest every element recited in the claim, as required to support proper section 103 rejections. M.P.E.P. § 2143.03 (8th ed. 2001, revised August 2005).

Claim 1 recites a method of compensatory ratio hedging comprising, among other things, "hedging an amount of a bond by said swap, said bond having a different maturity from said swap, wherein said amount of said bond hedged by said swap varies during the life of said swap to change similarly said swap mark-to-market value to said bond mark-to-market value by varying the ratio of said bond being hedged to said swap in each determined period of time to compensate for differences in said swap mark-to-market value and said bond mark-to-market value." As previously argued by Applicant and unchallenged by the Examiner, *Mosler et al.* does not disclose or suggest this claim element.

Instead, *Mosler et al.* states that a "swap rate C, is selected for every time period i" until maturity. (*Mosler et al.*, col. 9, ll. 15-16.) As the reference explains "the swap rates selected to form the swap rate curve can be provided by any suitable source of forward interest rates." (*Id.*, col. 9, ll. 23-24.) Selecting different swap interest rates over periods of time is not the same as varying the ratio of a bond being hedged to a swap in each of a plurality of determined periods of time. Furthermore, *Mosler et al.* merely states that "[i]f the contracts had been marked-to-market, the buyer and seller would have settled any outstanding amounts daily, at the close of trading." (*Id.*, col. 9, ll. 53-55.) This general acknowledgement that contracts may be marked-to-market does not provide a teaching of varying a ratio of a bond being hedged to a swap to

compensate for differences in said swap mark-to-market value and said bond mark-to-market values.

The Examiner has not alleged a teaching or suggestion of this claim element in *King* or in a combination of the references. Therefore, the Examiner has not shown that the references, taken together or alone, teach or suggest every element recited in claim 1, as required to support a proper section 103 rejection. For these reasons, the rejection of claim 1 under section 103(a) over *Mosler et al.* in view of *King* is erroneous, and Applicants request its withdrawal. Claims 2-8 depend from claim 1 and therefore incorporate its recitations. Thus, at least for the reasons given above with respect to claim 1, the Examiner has not shown a teaching or suggestion of every element of claims 2-8, and the section 103 rejections of claims 2-8 are also erroneous.

Conclusion

For at least the foregoing reasons, Applicants request review of the Final Office Action, reversal of the erroneous rejections of claims 1-8, and the timely allowance of the pending claims. Please grant any extensions of time required to enter this response and charge any additional required fees to our deposit account 06-0916.

Respectfully submitted,

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GARRETT & DUNNER, L.L.P.

Dated: December 18, 2006

By: _____

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